BB&T Scott & Stringfellow

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JUNE 2018

*market*DATA

	Price	YTD	1 Month	3 Months
Dow Jones [1]	24,899	0.73%	2.21%	0.02%
S&P 500 [2]	2,730	2.11%	2.78%	1.17%
NASDAQ [1]	7,411	7.36%	4.29%	3.75%
Russell 2000 [3]	3,977	0.91%	4.22%	3.28%
Wilshire 5000 [4]	28,212	2.16%	2.82%	1.53%

Data as of: May 14, 2018
[1] Source: Google Finance
[2] Source: StandardandPoors.com
[3] Source: Russell.com
[4] Source: Wilshire.com

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Now is the time to schedule your mid-year review. Please contact us today for an appointment. Also, we wish you a Happy Father's Day and a safe summer season.

Ho-hum, another record earnings season. Impressive Q1'18 earnings continued in recent weeks, with 25% corporate earnings per share (EPS) growth fueled largely by tax reform and stronger global economics relative to the year-prior period. According to FactSet, nearly 80% of S&P 500 companies topped consensus estimates for both sales and EPS in the quarter. Despite the favorable results (and positive guidance revisions, in many cases), stocks remained largely muted, with investors opting to await fresh growth catalysts. Some stocks also experienced more substantial post-report selling pressure on concerns for sequential growth deceleration later in 2018. Overall, the stronger earnings and reduced investor demand have led to increasingly attractive valuations for many stocks, in our view, with the S&P 500 now trading at a mid-May forward price-to-earnings (P/E) ratio of 16.5x, compared to 18x at the beginning of this year.

Higher crude fueling energy stocks. Despite the mixed equity returns post-earnings, we have seen an appreciable move in many energy-centric stocks given double-digit price appreciation for both Brent and WTI crude. Heightened geopolitical risk (most notably, as it relates to Iran and the Persian Gulf), coupled with OPEC production cuts and rising global demand has contributed to the upward bias. Of particular note has been the concurrent dollar appreciation (often trades inversely to crude), which we believe is partially a function of steady domestic expansion and higher interest rates. We expect the stronger dollar and higher crude to impact earnings (both positively and negatively) over the coming quarters.

We remain positive on equities. Overall, we continue to believe the positives outweigh the negatives for equity investors during the next 12 months. U.S. economic fundamentals remain generally strong, in our view, given (still) elevated consumer confidence, robust weekly production/new order data and near-record employment levels. Despite some signs of growth moderation, leading indicators have expanded for six consecutive months. Moreover, April inflation data proved softer than expected, which we believe could help assuage concerns for a more aggressive Fed in 2018. We also note the relative strength in U.S. small cap stocks- materially outperforming their large cap peers in recent months. We view the small cap resilience as a positive sign for overall market breadth.

Source: BB&T Scott & Stringfellow Private Client Research – May 14, 2018

JUNE 2018

SOCIALLY RESPONSIBLE INVESTING: DOING GOOD WHILE DOING WELL

We invest our money for many reasons. We may want to save for college, or retirement, or create wealth for ourselves and our heirs. These decisions encompass a combination of many factors such as our tolerance for risk, our need for liquidity, the length of time before the funds are needed, and so on.

Over the years, a growing number of investors have begun adding another dimension to their decision-making process – their personal values. Making investment decisions according to ethical as well as financial criteria is known as socially responsible investing.

Although socially responsible investing has become more popular in recent years, it is not a new phenomenon. In the early 1900s, some investors began screening their investments for "sin" issues such as alcohol, tobacco and gambling. During the late 1960s and early 1970s, when opposition to the Vietnam War became widespread, students began to demand that universities divest their investments in companies that produced Napalm, weapons or herbicides like Agent Orange. Around this time, several socially responsible mutual funds were formed. Some screened their investments for companies involved with weapons production; others looked for companies that showed sensitivity to the environment.

Today, a wide range of socially screened investments with varying objectives are available, including growth, income and balanced funds. The growth in this field makes it more and more possible for today's investors to "do good" and, at the same time, do well with their investment outcomes.

Investments can be screened for ethical considerations – both negatively and positively. Negative screens focus on what companies don't do (e.g., companies that don't produce weapons or damage the environment). Positive screens look for companies that make a contribution to society – perhaps they recycle or reinvest in their local community. Many municipal bonds, for example, pass positive screens because they fund construction of schools, hospitals or their community's infrastructure. Socially responsible investors look at both negative and positive screens while making their investment choices.

Because there are few purely ethical investments, investors should weigh their findings very carefully. Remember, the emphasis in socially responsible investing is on your own ethical stance. It may take more work, since you will have to digest more information and carefully examine your own priorities. But the rewards may be well worth the effort. We can help you discover investment opportunities that may be attractive – both socially and financially – and give you the information you need to make informed choices.

ARE YOU CONSIDERING A SOCIALLY RESPONSIBLE STRATEGY?

According to Morningstar, there were 234 mutual funds and exchange traded funds (ETFs) that invested in funds screened for environmental, social and governance factors as of December 2017. Since 2012, assets in these funds have risen 142% to $100.2 billion. A socially responsible portfolio may contain investments in the following sectors:

Low carbon – Investors who worry about the impact of global warming and climate change on the economy and planet, may want to invest in stocks that have a "lower carbon exposure,"which are funds determined not to be heavy users of fossil fuels or heavy producers of carbon dioxide.

Clean tech – Companies that make solar panels, wind power systems, metal recycling technology and parts that go into electric cars are typically included.

Socially responsible – This may include investments that have "positive environmental, social and governance characteristics," according to MSCI. Businesses involved with alcohol, tobacco, gambling, civilian firearms, military weapons and adult entertainment are most likely excluded.

Gender diversity – This strategy invests in companies that support women's advancement in the workplace. That can mean more women on the board of directors and more in top executive positions, such as senior vice president or higher.

Local initiatives – These investments may pay for improvement projects involving water systems, transportation, power generation and land conservation.

If you are interested in bringing about social change with a portfolio that is designed to deliver competitive returns, please call us today to discuss.